



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
LEE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LEE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

On November 29, 2000, fieldwork was completed on the June 30, 2000, Lee County Fiscal Court audit. An unqualified opinion was rendered on the financial statements.

As of June 30, 2000, the county had six funds with a total cash balance of \$623,416.

#### **Reporting Entity:**

The Lee County Public Service Corporation was included as part of the reporting entity.

#### **Deposits:**

The County's deposits were 100% collateralized and insured as of June 30, 2000.

#### **Lease Agreements:**

The Lee County Fiscal Court has five lease agreements with the Kentucky Association of Counties Leasing Trust for road equipment, road paving, voting machines, and an ambulance. The outstanding principal balances totaled \$246,830 as of June 30, 2000. The county also has two lease agreements with People's Bank for air conditioning and roof. The outstanding principal balances totaled \$31,611 as of June 30, 2000.

#### **Long-Term Debt:**

The Lee County Public Service Corporation has a note payable principal outstanding totaling \$21,353 as of June 30, 2000.



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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable L. C. Reese, Lee County Judge/Executive  
Members of the Lee County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Lee County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Lee County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Lee County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Lee County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable L. C. Reese, Lee County Judge/Executive  
Members of the Lee County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Lee County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2000 on our consideration of Lee County, Kentucky's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 29, 2000



LEE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

L. C. Reese	County Judge/Executive
Ronnie P. Begley	Magistrate
Carl Ross	Magistrate
Billy Joe Coomer	Magistrate
Kenny Brandenburg	Magistrate

**Other Elected Officials:**

Thomas Jones	County Attorney
Arthur Noe	Jailer
Russel Stamper	County Clerk
Emma Lou Adams	Circuit Court Clerk
James Harvey Pelfrey	Sheriff
Gary Lutes	Property Valuation Administrator
Emmett Daughtery	Coroner

**Appointed Personnel:**

Pearl Spencer	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



LEE COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	366,038	
Road and Bridge Fund:			
Cash		83,552	
Jail Fund:			
Cash		24,220	
Local Government Economic Assistance Fund:			
Cash		41,693	
Payroll Revolving Account - Cash		<u>20</u>	\$ 515,523

Special Revenue Fund Type

Ambulance Fund:			
Cash	\$	103,224	
Accounts Receivable (Note 4)		202,783	
Solid Waste Fund:			
Cash		<u>4,689</u>	<u>310,696</u>
Total Assets			\$ 826,219

Other Resources

Debt Service Fund Type

Public Service Corporation Fund:		
Amounts to be Provided in Future Years for Note Payments		<u>21,353</u>
Total Assets and Other Resources		<u><u>\$ 847,572</u></u>

The accompanying notes are an integral part of the financial statements.

LEE COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Due to Judge/Executive for Additional Salary	\$	1,387	
Payroll Revolving Account - Cash		<u>20</u>	\$ 1,407

Special Revenue Fund Types

Ambulance Fund:

Deferred Revenue			202,783
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Debt Service Fund Types

Public Service Corporation Fund:

Principal on Land			21,353
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Fund Balances

Reserved:

Special Revenue Fund Type

Ambulance Fund	\$	103,224	
Solid Waste Fund		<u>4,689</u>	107,913

Unreserved:

General Fund Type

General Fund	\$	364,651	
Road and Bridge Fund		83,552	
Jail Fund		24,220	
Local Government Economic Assistance Fund		<u>41,693</u>	<u>514,116</u>

Total Liabilities and Fund Balances			<u>\$ 847,572</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LEE COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,745,876	\$ 1,047,717	\$ 791,270	\$ 145,885
Transfers In	151,286	70,000		81,286
Kentucky Advance Revenue Program	278,040	229,010	49,030	
Total Cash Receipts	<u>\$ 3,175,202</u>	<u>\$ 1,346,727</u>	<u>\$ 840,300</u>	<u>\$ 227,171</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,414,857	\$ 809,022	\$ 767,357	\$ 212,537
Transfers Out	151,286	43,286	70,000	
Kentucky Advance Revenue Program Repaid	278,040	229,010	49,030	
Total Cash Disbursements	<u>\$ 2,844,183</u>	<u>\$ 1,081,318</u>	<u>\$ 886,387</u>	<u>\$ 212,537</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 331,019	\$ 265,409	\$ (46,087)	\$ 14,634
Cash Balance - July 1, 1999	<u>292,397</u>	<u>100,629</u>	<u>129,639</u>	<u>9,586</u>
Cash Balance - June 30, 2000	<u><u>\$ 623,416</u></u>	<u><u>\$ 366,038</u></u>	<u><u>\$ 83,552</u></u>	<u><u>\$ 24,220</u></u>

The accompanying notes are an integral part of the financial statements.



LEE COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

<u>General Fund Types</u>	<u>Special Revenue Fund Types</u>	
Local Government Economic Assistance Fund	Ambulance Fund	Solid Waste Fund
\$ 104,859	\$ 642,766	\$ 13,379
<u>\$ 104,859</u>	<u>\$ 642,766</u>	<u>\$ 13,379</u>
 \$ 25,247 38,000	 \$ 589,099	 \$ 11,595
<u>\$ 63,247</u>	<u>\$ 589,099</u>	<u>\$ 11,595</u>
 \$ 41,612 81	 \$ 53,667 49,557	 \$ 1,784 2,905
<u>\$ 41,693</u>	<u>\$ 103,224</u>	<u>\$ 4,689</u>

The accompanying notes are an integral part of the financial statements.

LEE COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Lee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Service Corporation Fund as part of the reporting entity.

Additional - Lee County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Lee County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the County, and the Board of Education. In exercising these responsibilities, however, they are subjected by oversight of state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Lee County Fiscal Court's Fund Types, a definition of each, and a list of county funds included within each fund type are listed below.

1. General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Lee County General Fund Type includes the following county funds: The General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund (LGEA).

LEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2. Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Ambulance Fund and the Solid Waste Fund of the Fiscal Court are reported as Special Revenue Fund Type.

3. Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest, and include funds for the Public Service Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the County utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The Lee County budget is adopted on a modified cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments, if any, are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

LEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds.

Note 4. Accounts Receivable

The county has \$202,783 of accounts receivable in the Ambulance Fund. These accounts receivable are comprised of customer billings.

LEE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Liabilities of the Funds are:

Description	Purchase Date	Maturity Date	Interest Rate	Principal Remaining
General Fund:				
Roof	04/01/1995	10/01/2002	5.85%	\$ 16,875
Air Conditioning	02/15/1996	08/15/2003	5.85%	\$ 14,736
Voting Machines	09/03/1999	09/20/2004	4.749%	\$ 37,892
Road Fund:				
KACO-Grader	02/01/1995	02/01/2005	5.85%	\$ 56,000
KACO-Truck and Backhoe	07/18/1997	02/01/2007	5.85%	\$ 45,000
KACO- Road Paving	12/20/1992	12/20/2002	5.85%	\$ 31,000
Ambulance Fund:				
Ambulance	01/18/2000	01/20/2003	3.75%	\$ 39,046

Note 6. Public Service Corporation - Note Payable

The Public Service Corporation assumed a loan balance of \$40,085 from the Kentucky Mountain Farms Co-op due the Kentucky River Point Development Fund Corporation. The Co-op deeded the real estate property to the Public Service Corporation on May 2, 1990. The property was originally purchased with Community Development Block Grant proceeds of \$200,000 from Lee County Fiscal Court. The Fiscal Court maintains their mortgage position on the property. The Public Service Corporation is to pay \$500 per month until the loan is paid in full. The Public Service Corporation has not paid monthly payments as required by the agreement. However, a payment of \$3,300 was paid during Fiscal Year 2000. The balance of the loan as of June 30, 2000, was \$21,353.

Note 7. Insurance

For the fiscal year ended June 30, 2000, Lee County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





LEE COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,508,759	\$ 1,047,717	\$ (1,461,042)
Road and Bridge Fund	829,315	791,270	(38,045)
Jail Fund	138,107	145,885	7,778
Local Government Economic Assistance Fund	67,100	104,859	37,759
<u>Special Revenue Fund Type</u>			
Ambulance Fund	574,500	642,766	68,266
Solid Waste Fund	13,100	13,379	279
Totals	<u>\$ 4,130,881</u>	<u>\$ 2,745,876</u>	<u>\$ (1,385,005)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,130,881
Add: Budgeted Prior Year Surplus			263,336
Less: Other Financing Uses			<u>(278,040)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,116,177</u>

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SCHEDULE OF OPERATING REVENUE



LEE COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUND TYPES

	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
<hr/>			
REVENUE:			
Taxes	\$ 413,783	\$ 413,783	\$
In Lieu Tax Payments	6,209	6,209	
Excess Fees	3,873	3,873	
License and Permits	26,690	18,311	8,379
Intergovernmental Revenues	1,593,938	1,562,653	31,285
Charges for Services	607,317	1,030	606,287
Miscellaneous Revenues	68,084	60,432	7,652
Interest Earned	25,982	23,440	2,542
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Total Operating Revenue	<u>\$ 2,745,876</u>	<u>\$ 2,089,731</u>	<u>\$ 656,145</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





LEE COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,637,309	\$ 381,293	\$ 1,256,016
Protection to Persons and Property	201,382	190,946	10,436
General Health and Sanitation	15,000	8,105	6,895
Social Services	12,450	9,652	2,798
Recreation and Culture	715	980	(265)
Roads	710,488	693,868	16,620
Debt Service	71,292	68,540	2,752
Capital Projects	626,242	323,589	302,653
Administration	211,699	137,190	74,509
Total Operating Budget - All General Fund Types	\$ 3,486,577	\$ 1,814,163	\$ 1,672,414
Other Financing Uses:			
Kentucky Advance Revenue Program- Principal	278,040	278,040	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 3,764,617</u>	<u>\$ 2,092,203</u>	<u>\$ 1,672,414</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 509,380	\$ 519,328	\$ (9,948)
General Health and Sanitation	8,780	10,668	(1,888)
Debt Service		6,629	(6,629)
Administration	111,440	64,069	47,371
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 629,600</u>	<u>\$ 600,694</u>	<u>\$ 28,906</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable L. C. Reese, Lee County Judge/Executive  
Members of the Lee County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Lee County Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable L. C. Reese, Lee County Judge/Executive  
Members of the Lee County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 29, 2000

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LEE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A





**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**LEE COUNTY FISCAL COURT**

The Lee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer